

Message Text

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ACTION CU-04

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FM AMEMBASSY LUXEMBOURG

TO SECSTATE WASHDC 4395

UNCLAS LUXEMBOURG 0333

E.O. 11652: N/A

TAGS: OEXC, CASC, LU

SUBJ: STUDENT OVERSEAS SERVICES (SOS)

REF: (A) STATE 099606; (B) LUXEMBOURG 0308

1. CONSULAR OFFICER CONTACTED HEAD OF STUDENT OVERSEAS SERVICES (SOS) ON LATTER'S RETURN TO LUXEMBOURG REGARDING CONGRESSIONAL INTEREST REFUND CLAIM OF SUSAN L. LOUCKA (REF A). COMPANY IMMEDIATELY AGREED TO AIRMAIL MISS LOUCKA CASHIER'S CHECK FOR FULL AMOUNT OF CLAIM (\$135.00).

2. ASKED TO EXPLAIN CONTINUING IRREGULARITIES IN SOS OPERATIONS DESPITE REPEATED ASSURANCES OF IMPROVEMENT, HEAD OF ORGANIZATION ADMITTED PROBLEMS BUT INSISTED GOOD-FAITH EFFORTS WERE BEING MADE TO REESTABLISH COMPANY'S REPUTATION. IT WAS DIFFICULT TO GIVE COMPLETE ASSURANCES, HE SAID, BECAUSE PROBLEMS STEMMED PRIMARILY FROM EMBEZZLEMENT AND FRAUDULENT BOOKKEEPING ENTRIES BY FORMER EXECUTIVE ASSISTANT WHO DISAPPEARED IN NOVEMBER 1974, AND THESE WERE STILL BEING UNCOVERED ALTHOUGH COMPANY HAS HIRED AUDITORS TO EXAMINE BOOKS. AMONG THE FRAUDULENT ENTRIES, HE SAID, WAS ONE WHICH SHOWED SUSAN L. LOUCKA TO HAVE RECEIVED FULL REFUND ALREADY. WHEN CONSULAR OFFICER INSISTED THAT HE VERIFY DATE AND NUMBER OF CHECK SENT, HE DISCOVERED THAT ENTRY WAS IN FACT FRAUDULENT AND NO PAYMENT HAD EVER BEEN SENT AND IMMEDIATELY PREPARED CASHIER'S CHECK.

3. EMBASSY'S OPINION IS THAT COMPANY HAS OPERATED ON CAVEAT-EMPTOR BASIS WELL SHORT OF FRAUD BUT ALSO SHORT
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OF RESPONSIBLE BUSINESS PRACTICES. HEAD OF ORGANIZATION,

FOR INSTANCE, AGREED THAT UNDER CIRCUMSTANCES DESCRIBED ABOVE, IT WOULD HAVE BEEN PREFERABLE TO BRING ALL INFORMATION INTO OPEN RATHER THAN OFFER ASSURANCES OF MARCH 14 (REF B) WHICH LATER HAD TO BE RETRACTED. COMPANY HAS NOW AGREED TO (A) INTERRUPT CONTINUED SOLICITATION OF NEW ACCOUNTS IF NECESSARY IN ORDER TO CAREFULLY SCREEN FILES FOR OTHER UNANSWERED REFUND CLAIMS OR FRAUDULENT ENTRIES IN RECORDS; (B) KEEP EMBASSY FULLY AND FRANKLY INFORMED OF RESULTS OF INVESTIGATION INTO ALLEGED EMBEZZLEMENT AND RECORDS FRAUD; AND (C) AUTHORIZE AT LEAST ONE OTHER COMPANY OFFICIAL TO TAKE ACTION ON CUSTOMER COMPLAINTS AND REFUND REQUESTS IN ABSENCE OF ORGANIZATION'S HEAD.

4. WE WILL CONTINUE TO KEEP DEPARTMENT INFORMED OF SOS' PERFORMANCE IN MEETING THESE COMMITMENTS.FARKAS

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